



DEPARTMENT OF JUSTICE

STATEMENT OF ASSISTANT ATTORNEY GENERAL
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(As Prepared for Delivery)
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The lawsuit that we have just filed is designed to accomplish one thing -- to protect competition in the airline industry which in turn will lower prices and expand choices for our traveling public. The way to achieve this important goal is to make sure that new airlines are not snuffed out as a result of predatory, anticompetitive practices by dominant carriers. That is what happened here.

American Airlines operates a major hub out of the Dallas/Fort Worth Airport in Texas. American controls the lion's share of traffic into and out of that airport and on many of those routes American has a monopoly and charges monopoly prices. During the past few years, several new low-cost carriers have attempted to enter the Dallas market and provide new service at low prices. American quickly realized that these new carriers could be a significant competitive threat, estimating that as much as a billion and a half dollars of its annual revenues were at risk if they were to succeed.

To make sure that this didn't happen, American adopted a predatory responsive strategy, saturating the market in which the start-up carriers had begun service with as much new, low-fare service of its own as was necessary to drive out the start-ups. American knew that this strategy would be costly and pursued it only in order to drive out the new carriers, so that American could go back to its old way of monopoly pricing. Indeed, American's CEO at the

time said precisely that: “If you are not going to get them [meaning the new low-cost carriers] out, then [there is] no point to diminish [our] profit.”

American’s predatory efforts worked. As we detail in the complaint that we filed today, these tactics were successfully employed against three new entrants in Dallas markets -- Vanguard, Sunjet and Western Pacific -- each of whom was forced to exit the market or curtail service drastically. The effect on the traveling public was devastating: fares increased substantially and service was curtailed.

Let me be clear. American, like anyone else in our capitalist economy, is free to compete, and compete aggressively. But American crossed a fundamental line -- it operated at a loss for one reason only -- to kill off a competitor so that it could then more-than-recoup those short-term losses through monopoly pricing. The antitrust laws are there to police that line between competition on the merits and predation -- so as to ensure that America’s consumers are the winners. That’s what today’s lawsuit is all about.